

**988. QUALIFIED PROPERTY FOR EXEMPTION (RULE 988).**

Sections 63-302, 63-313, 63-404, and 63-3029B, Idaho Code.

(4-6-05)

**01. Definitions.** The following definitions apply for the purposes of the property tax exemption under Section 63-3029B, Idaho Code, and do not decide investment tax credit eligibility for Idaho income tax purposes. (3-20-04)

**a.** Year in which the investment is placed in service. “Year in which the investment is placed in service” means the calendar year the property was put to use or placed in a condition or state of readiness and availability for a specifically assigned function in the production of income. (4-6-05)

**b.** Operator’s Statement. The “operator’s statement” is the annual statement listing all property subject to assessment by the State Tax Commission and prepared under Section 63-404, Idaho Code. (3-20-04)

**c.** Personal Property Declaration. A “personal property declaration” is any form required for reporting personal property or transient personal property to the county assessor under Sections 63-302 or 63-313, Idaho Code, respectively. (3-20-04)

**d.** Qualified Investment. “Qualified investment” means property that would have otherwise been taxable for property tax purposes and is eligible or qualified under Section 63-3029B, Idaho Code, provided that property is reported on the personal property declaration or operator’s statement and is designated as exempt from property tax for two (2) years on Form 49E. (3-20-04)

**e.** Qualified Investment Exemption. The “qualified investment exemption” (QIE) referred to in this rule is the property tax exemption under Section 63-3029B, Idaho Code. (3-20-04)

**f.** Assessor. The “assessor” is the representative of the county assessor’s office or the State Tax Commission who is responsible for the administration of the QIE. (3-29-12)

**02. Designation of Property for Which Exemption Is Elected.** The owner shall designate the property on which the QIE is elected. The owner shall make this designation on Form 49E and attach it to a timely filed personal property declaration or, for operating property, the timely filed operator’s statement. Owners who designate property on which the QIE is elected may also receive the exemption provided in section 63-602KK. In addition to any other reporting requirement, to receive the QIE, such owner is required to file a personal property declaration or operator’s statement, which must include all property on which the QIE is elected. not file the annual affidavit provided for in Section 63-602KK(6), Idaho Code, but must file the personal property declaration. This prohibition shall be limited to the time period during which the taxpayer may be subject to recapture under Section 63-3029B, Idaho Code. The description of the property on Form 49E must be adequate to identify the property to be granted the exemption. In addition to all other steps required to complete the personal property declaration or operator’s statement, the owner must provide on the personal property declaration or operator’s statement the date the item

elected for the QIE was placed in service.

~~(3-29-10)~~

**03. Election for Investments Not Otherwise Required to Be Listed on the Personal Property Declaration.** For investments, like single purpose agricultural or horticultural structures, that are not otherwise required to be listed on the personal property declaration, the owner must list that property to elect the QIE. As with any property designated for the QIE, the owner must attach Form 49E to the personal property declaration. (3-20-04)

**04. Continuation of Listing.** For all property designated for QIE, even though that property is exempt for two (2) years, the owner must list that property on the personal property declaration or operator's statement in the initial year for which the QIE is claimed and the following four (4) consecutive years, unless that property has been sold, otherwise disposed of, or ceases to qualify pursuant to Section 63-3029B, Idaho Code.

a. For locally assessed property. For personal property not designated for QIE, but eligible for the exemption provided in Section 63-602KK(2), no listing need be filed after the initial year for which the QIE is granted provided the total value of such non designated property is less than \$100,000.

b. For centrally assessed property. For centrally assessed property, all property must be reported as required pursuant to Section 63-404, Idaho Code, and Rule 626 of these rules. ~~(3-20-04)~~

**05. Period of QIE.** The QIE shall be granted for the two (2) calendar years immediately after the end of the calendar year in which the property acquired as a qualified investment was first placed in service in Idaho. (3-20-04)

**06. Election Specificity.** The QIE election provided by Section 63-3029B, Idaho Code, shall be specific to each qualified item listed on the personal property declaration or operator's statement. An item that is a qualified investment, but for which there is no QIE election during the year after the "year in which the investment is placed in service" in Idaho, is not eligible for the QIE. (4-6-05)

**07. Notification by Assessor.** (4-6-05)

**a. Upon Receipt of Form 49E or a Listing.** Upon receiving Form 49E or any listing provided to comply with Subsection 988.08 or 988.12 of this rule, the assessor shall review the application and determine if the taxpayer qualifies for the property tax exemption under Section 63-3029B, Idaho Code. If the assessor determines that the property tax exemption should be granted, the assessor shall notify the taxpayer and, if applicable, send a copy of this form or listing to the State Tax Commission. (3-29-12)

**b. Upon Discovery of Changes.** Upon discovering that property granted the QIE was sold, otherwise disposed of, or ceased to qualify under Section 63-3029B, Idaho Code, within the five (5) year period beginning with the date the property was placed in service, the assessor shall notify the State Tax Commission and the taxpayer immediately. The assessor shall also provide this notification upon discovery that the owner first claiming the QIE failed to list the item on any

personal property declaration or failed to file a personal property declaration in any year during this five (5) year period. This notice shall include: (3-29-12)

- i. Owner. Name of the owner receiving the QIE. (4-6-05)
- ii. Property description. A description of the property that received the QIE. (4-6-05)
- iii. New or used. State whether the individual item was purchased new or used.(4-6-05)
- iv. Date placed in service. The date the owner reported the item was first placed in service in Idaho. (4-6-05)
- v. First year value of QIE. For each item, the amount of exempt value in the first year the QIE was elected and an identification of the year. (4-6-05)
- vi. Second year value of QIE. For each item, the amount of exempt value in the second year after the QIE was elected. (4-6-05)
- vii. Tax code area number. For each item, the number of the tax code area within which that item was located. (4-6-05)

c. Denial of the QIE. Upon review of the taxpayer's application, if the assessor determines that the property tax exemption should not be granted for all or part of the market value of any item or items, then the assessor shall deny the exemption for those items. The assessor shall notify the taxpayer electing the QIE and shall identify the basis for the denial. The assessor's notification cancels the election with respect to those items. Upon receiving this notification, the taxpayer is then free to pursue the income tax credit under Section 63-3029B, Idaho Code, for those items denied the QIE by the assessor. (3-29-12)

**08. Moved Personal Property.** In order to provide unmistakable identification of the property, certain taxpayers must send written notification by the date provided in Section 63-302, 63-313, or 63-404, Idaho Code, when moving property that previously received the QIE. This notification: (3-20-04)

a. Is required of taxpayers moving locally assessed property between counties in Idaho during the five (5) year period beginning the date that property was placed in service;(4-6-05)

i. The taxpayers send this notification to the assessor in the county that granted the QIE and the assessor in any Idaho county to which the property has been moved. (4-6-05)

ii. The taxpayers must include a listing which describes the property exactly as it was described on the original Form 49E or cross references the property originally listed on Form 49E. (4-6-05)

b. Is not required of taxpayers when the property is State Tax Commission assessed nonregulated operating property. (4-6-05)

**09. Notification Regarding Transient Personal Property.** For transient personal property elected for the QIE, the definition of home county in Section 63-313, Idaho Code, and Rule 313 of these rules, applies. When a home county receives information of an election for QIE and a notice that the exempt property was used in another county in Idaho, the home county must forward information identifying that property to the other county(ies) in accordance with procedures in Section 63-313, Idaho Code. Also, the home county assessor shall send a copy of this notice to the State Tax Commission. (3-20-04)

**10. Partial-Year Assessments.** Property assessed based on a value prorated for a portion of the year in which the property is first placed in service may still be eligible for the QIE in the subsequent two (2) calendar years, provided the QIE is elected. (3-20-04)

**11. Limitation on Amount of Exemption.** (3-20-04)

**a. New Property.** The QIE shall be for the full market value for assessment purposes for new property that is a qualifying investment. (3-20-04)

**b. Used Property.** The QIE for used property placed in service during a taxable year for income tax purposes shall be limited. For each taxpayer, the QIE shall be the lesser of the QIE cost or the current year's market value in accordance with the following procedure: (4-6-05)

i. QIE cost shall be determined for each item of used property upon which the QIE is claimed. QIE cost is the lesser of an item's cost or one hundred fifty thousand dollars (\$150,000); provided, however, that the QIE cost for all elected used property shall not exceed one hundred fifty thousand dollars (\$150,000) in a taxable year (See Example B in Subparagraph 988.11.c.ii., of this rule). In the event the cost of one (1) or more items of used property exceeds one hundred fifty thousand dollars (\$150,000), QIE cost shall reflect the reduction necessary to stay within the one hundred fifty thousand dollar (\$150,000) limit (See IDAPA 35.01.01, "Income Tax Administrative Rules," Rule 719 for information on the selection of items of used property). (4-6-05)

ii. For each item purchased used, the QIE shall be limited to the lesser of the QIE cost or the current year's market value (See Example B in Subparagraph 988.11.c.ii., of this rule).

**c. Examples.** In the following examples, all of the property is owned by the same taxpayer and is a qualified investment. (4-6-05)

i. **Example A.** In Example A, 2004 is the first year during which the qualified investment receives the QIE. The taxpayer may decide which of the used items placed in service in 2003 is considered first for the exemption. In this example, computer 1 has been given the exemption first. Since the limitation is based on cost, the remaining used property exemption cannot exceed one hundred thirty thousand dollars (\$130,000) and the QIE cost is determined accordingly. The conveyor belt is a new investment, first eligible for the QIE in 2005. In 2006, the assembly line, computer 1, and computer 2 would be fully taxable at the market value as of January 1, 2006.

<b>Example A</b>										
<b>Property Description (same taxpayer)</b>	<b>Year Placed in Service</b>	<b>Cost</b>	<b>New or Used</b>	<b>QIE Cost</b>	<b>2004 Market Value</b>	<b>2004 Exempt Value</b>	<b>2004 Taxable Value</b>	<b>2005 Market Value</b>	<b>2005 Exempt Value</b>	<b>2005 Taxable Value</b>
Computer 1	2003	\$20,000	Used	\$20,000	\$12,000	\$12,000	\$0	\$8,000	\$8,000	\$0
Assembly line	2003	\$160,000	Used	\$130,000	\$140,000	\$130,000	\$10,000	\$110,000	\$110,000	\$0
Computer 2	2003	\$50,000	New	N/A	\$40,000	\$40,000	\$0	\$30,000	\$30,000	\$0
Conveyor belt	2004	\$200,000	Used	\$150,000	N/A	N/A	N/A	\$200,000	\$150,000	\$50,000

(4-6-05)

ii. **Example B.** In Example B, the property was purchased at auction for a cost much less than its market value.

<b>Example B</b>										
<b>Property Description</b>	<b>Year Placed in Service</b>	<b>Cost</b>	<b>New or Used</b>	<b>QIE Cost</b>	<b>2006 Market Value</b>	<b>2006 Exempt Value</b>	<b>2006 Taxable Value</b>	<b>2007 Market Value</b>	<b>2007 Exempt Value</b>	<b>2007 Taxable Value</b>
Construction Equipment	2005	\$20,000	Used	\$20,000	\$80,000	\$20,000	\$60,000	\$70,000	\$20,000	\$50,000

(4-6-05)

**d.** **Used Property Placed in Service by Fiscal Year Taxpayer.** If a taxpayer had a fiscal year beginning July 1, 2004, and placed one hundred fifty thousand dollars (\$150,000) of qualifying used property in service on May 15, 2004, and an additional one hundred fifty thousand dollars (\$150,000) of qualifying used property in service on August 1, 2004, the taxpayer would qualify for an exemption of up to three hundred thousand dollars (\$300,000) on this used property in 2005 and 2006. The exempt value in the second year of the exemption could not exceed the lesser of three hundred thousand dollars (\$300,000) or the (depreciated) market value of this used property. (4-6-05)

## **12. Multi-County Taxpayers.** (3-20-04)

**a.** Except taxpayers electing QIE for property that is State Tax Commission assessed

operating property, any taxpayers electing the QIE for properties purchased new must indicate on Form 49E the county where each property is located or must complete a separate Form 49E and attach it to the personal property declaration submitted to each county. (3-20-04)

**b.** Except taxpayers electing QIE for property that is State Tax Commission assessed operating property, any taxpayers electing the QIE for properties purchased used must attach any Form 49E listing property purchased used to the personal property declaration sent to each county. A Form 49E listing only property purchased used may be provided to comply with this requirement. (3-20-04)

**c.** Any taxpayers electing QIE for property that is State Tax Commission assessed nonregulated operating property and purchased new or used must indicate on Form 49E each county where each property is located and attach it to the operator's statement. (4-6-05)

**d.** If multiple Form 49Es are submitted to one (1) or more assessors, a copy of each Form 49E must be attached to the correct year's income tax return. (3-20-04)

**13. Special Provisions for Nonregulated Operating Property.** (4-6-05)

**a.** For nonregulated operating property, the market value of the QIE is calculated by multiplying the depreciated original cost of the property times the ratio of the correlated value determined under Subsection 405.08 of these rules to the cost approach value determined under Subsection 405.02 of these rules. (4-6-05)

**b.** The following special provisions apply for the reduction in market value of nonregulated operating property resulting from QIE being elected. (4-6-05)

**i.** Reduction in Idaho value. For nonregulated operating property except situs property, the reduction in market value will be made by subtracting the market value of the QIE from the allocated Idaho value before apportionment to any taxing district or unit. (4-6-05)

**ii.** Reduction in market value of situs property owned by nonregulated operating property companies. For situs property owned by nonregulated operating property companies, the reduction in market value will be made by subtracting the market value of the specific investment in the specific location. (4-6-05)

**14. Cross Reference.** For more information relating to procedures and requirements for QIE, refer to Section 63-3029B, Idaho Code, and IDAPA 35.01.01, "Income Tax Administrative Rules," Rule 719. For information relating to recapture of QIE, refer to Rule 989 of these rules. (4-6-05)